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...BUILDING WITH PEOPLE AT REVELSTOKE.....BUILDING WITH PEOPLE AT REVELSTOKE...

1972 REVELSTOKE ANNUAL REPORT

Company Profile

Revelstoke owns and operates 100 retail outlets throughout Western Canada. Each of these stores is combined with a lumber yard and offers our customers a complete range of building materials, home improvement and maintenance products. Although most of this business is with individual customers, the Company also supplies contractors and home builders.

In addition Revelstoke produces redi-mix concrete at 18 plants in Alberta, Saskatchewan and British Columbia and manufactures lumber at four mills in Alberta and one mill in British Columbia. The Concrete Division supplies the housing, agricultural, commercial and institutional markets. The Lumber Division supplies the Company's Retail Division, the Canadian construction market and is a major exporter to the United States.

Revelstoke's management is committed to having the best managed company of our size and kind in Canada, to serving and satisfying an ever increasing number of customers and to achieving a consistent increase in the profitability of the Company and the return on its equity. It is hoped that these efforts will benefit our customers, our suppliers, our employees and our shareholders.

In view of the fact that Revelstoke's future success depends upon the quality and motivation of our employees at all levels, this year's Annual Report is entitled "Building With People at Revelstoke."

Contents

FINANCIAL HIGHLIGHTS	1
WHERE WE ARE	2
PRESIDENT'S REPORT TO OUR SHAREHOLDERS	3, 4, 5
REVIEW OF OPERATIONS	6, 7
WHAT WE DO	8
OUR STORES	9
CONSOLIDATED BALANCE SHEET	10, 11
CONSOLIDATED STATEMENT OF CURRENT AND RETAINED EARNINGS	12
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION	13
NOTES TO FINANCIAL STATEMENTS	14, 15
AUDITORS' REPORT	15
OUR PEOPLE	16, 17
OUR COMPANY OFFICERS	18
FIVE YEAR FINANCIAL REVIEW	19
GENERAL COMPANY INFORMATION	20
COMPANY PROFILE	Inside Front Cover
OUR COMPANY OBJECTIVES	Inside Back Cover

Financial Highlights*

REVELSTOKE COMPANIES LTD.

For The Year Ended December 31

	<u>1972</u>	<u>1971</u>
TOTAL DOLLARS:		
Sales	\$42,808,839	\$31,866,424
Pre-Tax Earnings	\$ 3,000,066	\$ 1,419,945
Income Taxes on Earnings	\$ 1,444,563	\$ 652,494
Net Earnings for Shareholders	\$ 1,541,384	\$ 763,903
Cash Flow	\$ 2,826,578	\$ 2,290,589
Common Share Dividends Paid	\$ 240,002	\$ 124,680
Earnings Retained & Reinvested	\$ 1,172,683	\$ 509,746
PER SHARE:		
Sales	\$23.78	\$17.70
Earnings	\$.79	\$.35
Common Dividends Paid	\$.14	\$.07
Earnings Retained & Reinvested	\$.65	\$.28
PERFORMANCE MEASUREMENTS:		
Return on Sales	3.6%	2.4%
Return on Assets	6.3%	3.4%
Return on Shareholders' Equity	10.8%	5.4%

* See pages 14 and 15 for explanatory notes regarding the change in the Company's depreciation policy. Per share figures are adjusted to reflect the three for one stock split in 1972 and earnings per share figures are after deducting preferred share dividends.

Where We Are

BRITISH COLUMBIA

- Creston
- Cranbrook
- Dawson Creek
- Fort St. John
- Radium

ALBERTA

- Acme
- Airdrie
- Alix
- Athabasca
- Bentley
- Brooks
- Calgary
- Camrose
- Carstairs
- Castor
- Coronation
- Crossfield
- Daysland
- Didsbury
- Drumheller
- Eckville
- Edmonton

- Grande Prairie
- Hanna
- High River
- Holden
- Innisfail
- Lacombe
- Lac La Biche
- Legal
- Lethbridge
- Lougheed
- Medicine Hat
- Nanton
- Okotoks
- Olds
- Peace River
- Picture Butte
- Ponoka
- Red Deer
- Rocky Mtn. House
- Sentinel
- Sundre
- Sylvan Lake
- Taber
- Two Hills
- Vauxhall
- Vegreville
- Vermilion

- Viking
- Vulcan
- Wainwright
- Wetaskiwin
- Whitecourt

SASKATCHEWAN

- Allan
- Battleford
- Birch Hills
- Cabri
- Canora
- Central Butte
- Cudworth
- Davidson
- Eatonia
- Elrose
- Fox Valley
- Gravelbourg
- Gull Lake
- Humboldt
- Leader
- Lumsden
- Maidstone
- Meadow Lake
- Melfort
- Pontoix

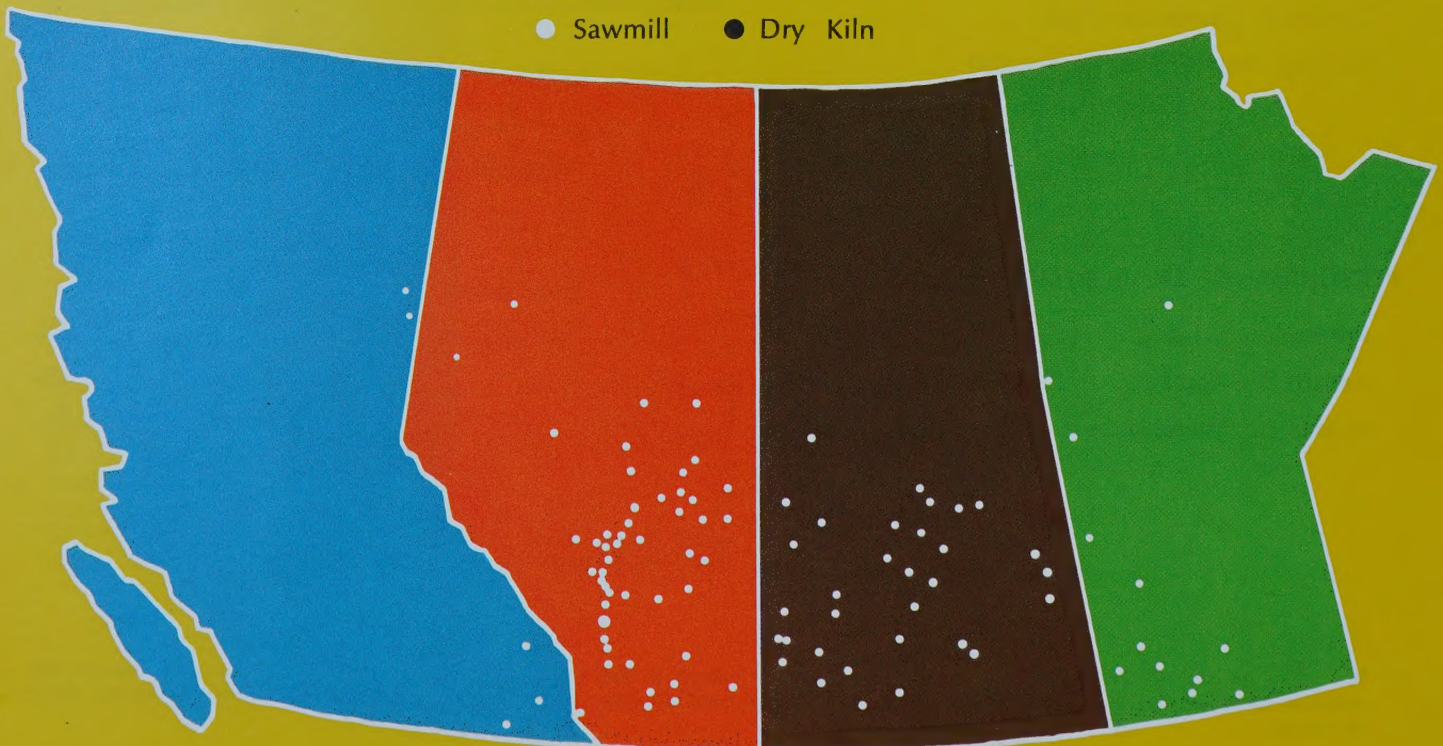
- Preeceville
- Prelate
- Prince Albert
- Regina
- Rosetown
- Rosthern
- Saskatoon
- Swift Current
- Tisdale
- Unity
- Watrous
- Yorkton

MANITOBA

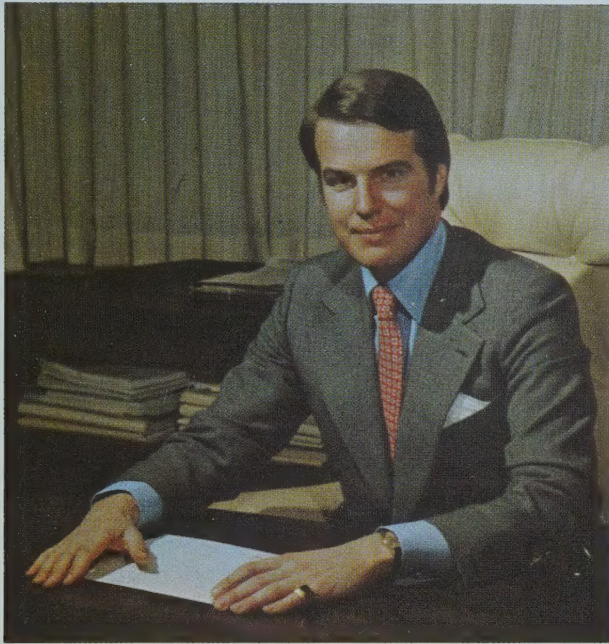
- Baldur
- Boissevain
- Brandon
- Cypress River
- Dauphin
- Flin Flon
- Hamiota
- Morden
- Portage la Prairie
- Swan River
- The Pas
- Thompson
- Virden

LEGEND

- Retail Store and Yard
- Transit Mix Concrete Plant
- Planing Mill
- Head Office
- Sawmill
- Dry Kiln



President's Report to Our Shareholders



Review of 1972

I am pleased to report that 1972 was a record year for our Company in terms of both sales and operating profits. In 1972 sales increased by 34% to \$42,809,000 compared to \$31,866,000 in 1971. Total earnings in 1972 were \$1,541,000 compared to \$1,026,000 for 1971.

After deducting preferred dividends, total earnings per share were \$.79 in 1972 compared to \$.50 for the prior year. The above figures for 1971 have been restated using the same basis of depreciation as the 1972 figures.

Common share dividends of \$.14 per share were paid to the common shareholders in 1972 compared to \$.07 per share in 1971.

What We Do

Revelstoke conducts its business through three operating Divisions that support and complement one another. The largest and most important Division of the Company is the Retail Division which is involved in an aggressive expansion program. Growth in this Division will result from new stores, enlarging existing stores and increasing the variety of products sold by all stores.

The other two Divisions of the Company, the Concrete and Lumber Divisions, have both completed an extensive modernization and expansion program involving the building of new facilities and the purchase of new equipment for existing facilities. Growth in both of these Divisions will result from increased production and efficiency at our existing plants and mills.

All three Divisions operated profitably in 1972 and each of the Company's major markets registered an improvement in business activity. A review of the individual Divisions is contained in the section of the Annual Report entitled "Review of Operations."

Approximately 61% of the Company's total sales were generated from operations in Alberta, 18% in Saskatchewan, 15% in British Columbia and 6% in Manitoba. Revelstoke's dominant position in Alberta is significant when one considers that the rate of economic growth in Alberta over the next ten years is likely to exceed that experienced by any of Canada's other provinces.

Management

The theme of this year's Annual Report, "Building With People at Revelstoke," was chosen in recognition of the fact that the future success of our Company depends upon the quality and motivation of our employees at all levels. To a large extent 1972 was a year of both reorganization and preparation for the planned expansion program of the coming years especially regarding the Retail Division. Steps were taken to strengthen the Company's management in the areas of merchandising, purchasing, advertising and promotion, and lastly finance and administration. In essence we are assembling the management team today that we will need to accomplish our objectives tomorrow.

In the Retail Division, Mr. H. E. Dunn joined the Company as Vice President - Merchandising following 25 years with a large Canadian department store chain and Mr. Norm Nilsson joined the Company as Manager - Advertising and Pro-

motion after 18 years with a large Western Canadian hard goods retail chain.

During 1972, the management structure of the Concrete Division was reorganized with Mr. Howard Sells being appointed Manager - Concrete Production and Equipment and Mr. A. J. Arens being appointed Manager - Concrete Engineering. In the Lumber Division, Mr. F. R. Fortin was appointed Vice President and General Manager of Revelstoke Sawmill (Radium) Ltd.

At all levels of the Company we are placing special emphasis on two way communications, training seminars and profit oriented incentive programs. At the same time each Division is implementing new budgeting, reporting and control systems to enable us to manage our operations more effectively.

The decisions of our Company's management are guided by Revelstoke's corporate objectives which are outlined on the inside of the back cover of this Annual Report. Wherever possible we have attempted to anticipate the changes which are taking place in our business environment and to place Revelstoke in a position to take advantage of all opportunities for profitable growth. It is management's objective to develop a Company distinguished by its entrepreneurship, leadership and high standards in all areas of corporate activity. Management recognizes however that the ultimate test of its ability is to achieve a rising level of profitability and earnings per share.

The Revelstoke Family

More than anything else Revelstoke's management values the continued dedication of our employees throughout the organization and their relationship with the Company. At Revelstoke we are proud of our people and we intend to emphasize a highly personalized style of management which fully recognizes the contribution of individuals to our Company's success.

One of Revelstoke's principal objectives is to create an environment that stimulates personal

development and fulfillment for the members of the Company. Secondly, we believe that an essential part of working at Revelstoke should be having fun. Not only do we want our employees to gain a sense of satisfaction from a job well done, we also want everyone to enjoy being part of "The Revelstoke Family."

Employee Savings & Stock Purchase Plan

At a Board Meeting on November 9, 1972 the Directors approved the creation of an Employee Savings & Stock Purchase Plan to give all salaried employees of the Company the opportunity of purchasing Revelstoke common shares on a basis whereby employee contributions will be supplemented by Company contributions. The Plan will be administered by a Trust Company with the shares being purchased on the Toronto Stock Exchange. To demonstrate the high degree of commitment on the part of employees throughout the Company, 50% of all eligible salaried employees subscribed to the Plan when it was initiated in January 1973.

Corporate Identification Program

During 1972 the Company completed a comprehensive corporate identification program. This involved changing the name of Revelstoke Building Materials Limited to Revelstoke Companies Ltd., redesigning all Company forms and stationery, changing the format for all Company print advertising and signing, renovating the interior of the Head Office, and redesigning both the Company's logo and its well known symbol, "Revy." The old and new logos and "Revys" are shown below.

REVELSTOKE
BUILDING MATERIALS LIMITED



REVELSTOKE
COMPANIES LTD.

The objective of this corporate identification program was to project an up-to-date and distinctive image of the Company to our customers, employees, suppliers, shareholders and the general public.

Financial Position

During 1972 the Company's total assets increased to \$33,600,000 in comparison to \$24,518,000 at the end of 1971. In the same period total shareholders' equity increased to \$15,502,000 from \$14,263,000 a year earlier. The working capital of the Company decreased to \$6,327,000 as of December 31, 1972 from \$7,006,000 on December 31, 1971.

In 1972 Revelstoke's capital expenditures amounted to \$1,571,000 in the Retail Division, \$292,000 in the Concrete Division and \$2,183,000 in the Lumber Division. It is estimated that the Company's capital expenditures in 1973 will approximate \$1,100,000 in the Retail Division, \$150,000 in the Concrete Division and \$450,000 in the Lumber Division. This excludes the cost of building any new stores in major urban markets and of certain mobile equipment as these are likely to be leased by the Company.

With the concurrence of our auditors the Company altered the basis of depreciation for its fixed assets to a straight line method of calculating depreciation. This change in depreciation policy was enacted in order to reflect a more accurate statement of the Company's actual earnings and the economic useful life of its assets. Consequently for the first time the Company will show deferred income taxes on its financial statements resulting from the difference between straight line depreciation and the amount of depreciation utilized for income tax purposes.

Change in Share Capitalization

On September 29, 1972, Revelstoke's shareholders approved an increase in the number of common shares to 6,000,000 and a division of the common shares on a three for one basis. This latter step was taken to increase the mar-

ketability of the Company's shares and as a result the average daily volume of trading for Revelstoke's common shares on the Toronto Stock Exchange has significantly increased.

In 1972 the Company's Board of Directors was expanded with the appointment of the following new Directors — Mr. A. J. E. Child, President of Burns Foods Limited, Mr. A. E. Jenner, General Manager of Citicorp Venture Capital Canada Ltd., Mr. D. E. Mitchell, President of Great Plains Development Company of Canada Ltd. and Mr. J. L. Schlosser, President of Tri-Jay Investments Ltd. The Board of Directors now consists of 11 members.

Your management appreciates the guidance and interest of the Directors in the affairs of the Company and is especially indebted to the Chairman, Mr. B. F. Sine, for his ongoing contribution and support to Revelstoke.

The Future

From every indication it appears that Revelstoke should benefit from sound business conditions in all sectors of the Company's operations. The outlook for consumer spending, the agricultural economy and general business and construction activity continues to be favourable and should result in increases in the sales and profits of all Divisions for 1973.

On behalf of the Shareholders and Directors, I would like to thank all of our 1,100 employees for their dedication and efforts in making 1972 a record year for the Company. I also want to offer the Company's appreciation to our customers, our suppliers and our friends for their support and confidence throughout the past year.



STEELE CURRY
President

April 16, 1973

Review of Operations

THE RETAIL DIVISION

Revelstoke's Retail Division constitutes the largest and most significant segment of the Company's business with over 100 stores situated throughout Western Canada. At the end of 1972, 50 stores were located in Alberta, 34 in Saskatchewan, 13 in Manitoba and 4 in British Columbia. Each of these stores is combined with a lumber yard and sells a complete range of lumber, building materials and home improvement products to homeowners, farmers and professional builders. In 1972 61% of Revelstoke's sales and a majority of the Company's income were generated by the Retail Division. This is an increase in sales of 30% compared to 1971.

Starting in early 1972 the Retail Division initiated an aggressive expansion program to increase the sales and profits of our existing outlets through expanding our product mix, improving our store layouts and merchandise display, and increasing the effectiveness of our advertising and promotion. We also are in the process of expanding the sales area of a number of our existing stores as well as building new stores on certain of our locations wherever market conditions are especially favourable. Lastly we have finalized our plans for the building of a prototype new store which will serve as a model for new Revelstoke stores to be opened in major urban markets across Canada. This new store will specialize in the do-it-yourself home improvement and leisure markets and will be designed to appeal to the entire family.

From all indications the future demand for retail home improvement products should make our industry the fastest growing segment of the retail business in the 1970's. The factors responsible for this substantial growth include an increase in leisure time, an increase in consumers' discretionary income, an increase in net family formations and a decrease in the supply of tradesmen combined with the rising cost of using available tradesmen. A significant factor creating further demand will be the growing awareness of Canadian consumers of the increasing number of do-it-yourself projects that can easily be undertaken by homeowners. Such projects can increase the quality of their home environment and the value of their home investment.

Revelstoke's Retail Division is one of the largest chains of lumber, building material and home improvement stores in Canada. Given our existing base of operations, experienced per-

sonnel and financial resources, Revelstoke's Retail Division should be a major participant in the home improvement, do-it-yourself market as it experiences substantial growth and change.

During 1972 the Company acquired Mel's Lumber and Building Supplies to increase the number of our stores in Calgary from two to four. In 1972 Revelstoke also purchased the largest independent retail lumber and building supply outlets in Cranbrook and Creston, B.C. In March of the current year the Company acquired the largest independent retailer of lumber and building supplies in Camrose completing Revelstoke's market coverage in Central Alberta.

Through Revelstoke's retail outlets the Company also markets "Revy Homes." These are conventionally designed family dwellings supplied to the site in "packages." Each package includes all the materials for the specific stage of construction which is in progress. The Company either sells the packages to builders or sells completed houses to individual buyers. Most of the houses built are presold. It is not, however, the intention of the Company to engage in large scale land development in the foreseeable future. Recognizing the dependence of the Revy Home program upon our retail outlets, the Revy Home Division was integrated into the Retail Division in 1972.

While Revelstoke's Retail Division continued to contribute a majority of the Company's earnings, management believes that greater efforts are necessary to bring the inventory turnover, expense control and gross margin management at our stores up to a satisfactory level. Accordingly, the Company is implementing more effective reporting and control systems at all Branches.

THE CONCRETE DIVISION

Revelstoke's Concrete Division accounted for 21% of the Company's sales in 1972. This Division operates 18 transit mix and premix concrete plants. Twelve of these plants are located in Alberta, four in Saskatchewan and two in British Columbia. Revelstoke's concrete plants supply private homeowners, farmers, professional builders and government projects. Sales of the Concrete Division increased 34% over 1971 and the earnings contribution of the Division improved significantly.

The Concrete Division represents an important component of Revelstoke's activities as an integrated supplier of building materials. A number of the concrete plants, particularly those

in the smaller communities, are operated by the same management as the Company's retail outlet. Concrete is the first product required in construction and therefore provides a valuable opportunity to sell all materials for any building project. The Company's Revy Home Program also provides a captive market for our concrete products.

In 1972 Revelstoke moved and modernized the plant at Olds, Alberta and upgraded the Division's fleet of trucks with the addition of 16 new mixer trucks. During the year, the Company's new plant at Edmonton progressed satisfactorily and the majority of the Company's plants recorded a favourable profit improvement. In April 1972 the Company sold its plant at Dauphin, Manitoba, which had not been a profitable operation.

In 1972 the Concrete Division's management was reorganized to provide for increased efficiency of operations. The management of the Division is comprised of men who are well qualified and experienced in both production and concrete engineering. Head Office management and the local Branch Managers work together to provide a high standard of service and to achieve the required level of efficiency and asset utilization.

The prospects at each of our concrete plant locations indicate that record sales volume and further profit improvement should be achieved by the Concrete Division in 1973.

THE LUMBER DIVISION

Revelstoke's Lumber Division consists of four lumber mills in Alberta and one in British Columbia, which is the largest of the five operations. The Company's mills manufacture spruce and fir construction lumber which is shipped to Revelstoke's retail outlets, to customers in both Western and Eastern Canada, and to export customers in the United States. During the past 10 months in particular, the Company's mills have provided an important source of supply to our retail outlets, ensuring reliable deliveries and predictable prices during a period of short supply and erratic market conditions.

Sales of the Lumber Division accounted for 18% of the Company's sales excluding inter-company sales of \$1,593,000. The increase in total sales was 51% in 1972 over the previous year. This growth reflected both an increased volume of production and higher price levels. The Division returned to a profitable level in

1972 after experiencing two years of substantial operating losses.

Revelstoke has timber cutting rights granted by the Provincial Governments totalling 125 million board feet annually. In 1972 production was two thirds of the allowable cut as the expansion at the Radium Mill was not completed until the end of 1972 and the Rocky Mountain House sawmill was destroyed by fire in early April. The reconstruction of the Rocky Mountain House Mill is now completed and it is anticipated that the Lumber Division's production for 1973 will be close to the Company's maximum allowable cut.

Each of Revelstoke's lumber mills includes a sawmill, a planer mill and facilities for shipping by both railroad and truck. In addition, the mills at Radium and Sentinel have dry kilns and facilities for the production of wood pulp chips. The Alberta mills are ideally suited to supply the Company's retail outlets in Alberta and Western Saskatchewan.

Lumber prices improved through 1972 to a point where the lumber manufacturing industry can now obtain a reasonable rate of return on its investment. This situation is in contrast to the price levels of the previous two years when severe losses were sustained throughout the industry. Favourable price levels have continued into the early months of 1973 but major long range concerns of the industry include the upward pressure on costs, accelerating wage demands and the difficulty of hiring both skilled and unskilled employees.

The past year was a difficult one for the management and personnel of the Lumber Manufacturing Division as most of the mills were completing an extended period of rebuilding and reorganization. However, for the first time in three years, Revelstoke's Lumber Division should be in a position to concentrate on maximizing the efficiency, production and profitability of the mills without being disrupted by installation and start-up problems.

In 1972 Revelstoke constructed a smokeless burner at its Radium mill to eliminate pollution from the Company's largest lumber manufacturing facility. During the year the Lumber Division also formulated a three phase reforestation program following a detailed regeneration survey of our timber permits and licenses. Phase one of this program, called "Trees for Tomorrow," is now underway with the planting of seedlings on 675 acres of land.

What We Do



1. Newly completed Revy Home at Wetaskiwin, Alberta.
2. New Store at Brandon, Manitoba.
3. Lumber prior to shipping at Radium Mill, British Columbia.
4. A Ready Mix Truck pouring concrete for new construction in Calgary, Alberta.
5. New Store in Northmount Shopping Centre, Calgary, Alberta.
6. Having fun at Revelstoke Store Opening, Brandon, Manitoba.



Our Stores



1. Revelstock Home Improvement Centres offer a complete range of carpeting.
2. Our stores specialize in lumber products of all types.
3. Our stores provide a complete selection of tools for home handymen and professional builders.
4. Our stores offer a variety of shelving for both home owners and apartment dwellers.
5. Our stores carry an extensive number of home improvement items including fireplaces.
6. Our stores offer a variety of kitchen cabinets for home owners.
7. Our stores feature home decorating supplies such as wall paper and paint products.



Consolidated Balance Sheet

REVELSTONE COMPANIES LTD.


As At December 31.

ASSETS

	<u>1972</u>	<u>1971</u>
Current Assets		
Cash	\$ 915,680	\$ 535,288
Accounts Receivable	6,620,904	4,251,749
Inventories, Valued at the Lower of Cost or Net Realizable Value	<u>13,540,342</u>	<u>10,182,213</u>
	21,076,926	14,969,250
Timber Berth Deposits	197,122	172,362
Property, Plant and Equipment , at Cost (Note 3)	23,109,456	19,698,818
Less: Accumulated Depreciation and Depletion	<u>11,163,371</u>	<u>10,369,443</u>
	11,946,085	9,329,375
Deferred Charges	41,134	47,047
Goodwill Less Amortization (Note 4)	338,677	—
 Total Assets	 <u><u>\$33,599,944</u></u>	 <u><u>\$24,518,034</u></u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1972</u>	<u>1971</u>
Current Liabilities		
Bank Indebtedness	\$ 2,390,062	\$ 4,607,783
Short Term Loans	6,981,749	—
Accounts Payable and Accrued Liabilities	4,829,905	2,956,753
Income Taxes Payable	344,725	398,391
Long Term Debt Due Within One Year (Note 5)	203,500	—
	<u>14,749,941</u>	<u>7,962,927</u>
Long Term Debt (Note 5)	3,050,000	2,274,500
Deferred Income Taxes	266,806	—
Minority Interest	31,343	17,225
Shareholders' Equity (Note 6)		
Capital Stock		
Authorized —		
300,000 Preference Shares of a Par		
Value of \$20 Each		
6,000,000 Common Shares of No Par Value		
Issued —		
107,249 Preference Shares 1961 Series	2,144,980	2,144,980
1,800,015 Common Shares	2,784,005	2,784,005
Retained Earnings	10,572,869	9,334,397
Total Shareholders' Equity	<u>15,501,854</u>	<u>14,263,382</u>
Commitments and Contingent Liability (Note 8)		
Total Liabilities and Shareholders' Equity	<u><u>\$33,599,944</u></u>	<u><u>\$24,518,034</u></u>

Consolidated Statement of Current and Retained Earnings

REVELSTOKE COMPANIES LTD.

For The Year Ended December 31

	<u>1972</u>	<u>1971</u>
Current Earnings		
Sales	\$42,808,839	\$31,866,424
Costs and Expenses		
Cost of Sales, Selling, General and Administration	37,996,457	28,696,348
Depreciation and Depletion (Note 3)	1,285,194	1,526,686
Interest (Long Term: 1972 — \$178,783; 1971 — \$138,746)	649,113	439,965
	<u>39,930,764</u>	<u>30,662,999</u>
	2,878,075	1,203,425
Gain on Disposal of Fixed Assets	<u>121,991</u>	<u>216,520</u>
	3,000,066	1,419,945
Income Taxes	<u>1,444,563</u>	<u>652,494</u>
Earnings before Minority Interest	1,555,503	767,451
Minority Interest	<u>14,119</u>	<u>3,548</u>
Net Earnings for the Year (Note 3)	<u>\$ 1,541,384</u>	<u>\$ 763,903</u>
Net Earnings Per Common Share (Note 3)	<u>\$0.79</u>	<u>\$0.35</u>
Retained Earnings		
Balance at Beginning of Year	\$ 9,334,397	\$ 8,824,651
Additions		
Net Earnings for the Year	1,541,384	763,903
Gains on Disposal of Fixed Assets		
Deferred in Prior Years (Note 3)	65,789	—
	<u>10,941,570</u>	<u>9,588,554</u>
Deductions		
Dividends on Preference Shares	128,699	129,477
Dividends on Common Shares	240,002	—
Stock Dividend on Common Shares	—	124,680
Balance at End of Year	<u>\$10,572,869</u>	<u>\$ 9,334,397</u>

Consolidated Statement of Changes in Financial Position

REVELSTOKE COMPANIES LTD.

For The Year Ended December 31

	<u>1972</u>	<u>1971</u>
Source of Funds		
Net Earnings for the Year	\$1,541,384	\$ 763,903
Depreciation and Depletion (Note 3)	1,285,194	1,526,686
Deferred Tax	201,016	—
Other	64,409	(23,577)
	<u>3,092,003</u>	<u>2,267,012</u>
Long Term Bank Loan	1,000,000	—
Sale of Fixed Assets Less Gain Included		
In Earnings	367,895	151,220
Miscellaneous	—	6,448
	<u>4,459,898</u>	<u>2,424,680</u>
Application of Funds		
Fixed Assets	4,046,170	3,106,449
Goodwill	345,000	—
Dividends and Redemption of Shares		
Issued for Stock Dividend	368,701	254,157
Long Term Debt	222,485	283,821
Preference Shares Acquired for Cancellation	—	12,580
Acquisition of Subsidiary Company		
(Including working capital deficiency at		
date of acquisition)	132,120	—
Other	24,760	—
	<u>5,139,236</u>	<u>3,657,007</u>
Increase (Decrease) in Working Capital	(679,338)	(1,232,327)
Working Capital at Beginning of Year	<u>7,006,323</u>	<u>8,238,650</u>
Working Capital at End of Year	<u>\$6,326,985</u>	<u>\$7,006,323</u>
Changes in Components of Working Capital		
Current Assets		
Cash	\$ 380,392	\$ (65,556)
Accounts Receivable	2,369,155	(226,057)
Inventories	3,358,129	1,097,758
	<u>6,107,676</u>	<u>806,145</u>
Current Liabilities		
Bank Indebtedness	(2,217,721)	1,583,243
Short Term Loans	6,981,749	—
Accounts Payable and Accrued Liabilities	1,873,152	200,338
Income Taxes Payable	(53,666)	398,391
Current Portion of Long Term Debt	203,500	(143,500)
	<u>6,787,014</u>	<u>2,038,472</u>
Increase (Decrease) in Working Capital	<u>(\$ 679,338)</u>	<u>(\$1,232,327)</u>

Notes to Financial Statements

REVELSTOKE COMPANIES LTD.

1. Change in Name

During the year the Company changed its name from Revelstoke Building Materials Limited to Revelstoke Companies Ltd.

2. Principles of Consolidation

These consolidated financial statements include the accounts of all subsidiary companies from their effective dates of acquisition. All of the companies are wholly owned except one which is 85% owned.

When assets are acquired through the purchase of shares in companies the excess of the purchase price over the net book value is assigned to acquired assets on the basis of their fair market value.

3. Fixed Assets

	<u>1972</u>		<u>1971</u>	
	<u>Cost</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Net Book Value</u>
Land	\$ 1,153,339	1,153,339	697,384	697,384
Buildings	7,222,773	4,584,176	5,875,366	3,314,226
Machinery and Equipment	10,787,306	3,777,374	9,489,935	2,925,568
Logging Access Roads	1,269,363	627,464	948,208	455,940
Sand and Gravel Rights and Properties	438,320	346,813	432,070	350,030
Timber Rights and Leases	2,238,355	1,456,919	2,255,855	1,586,227
	<u>\$23,109,456</u>	<u>11,946,085</u>	<u>19,698,818</u>	<u>9,329,375</u>

Effective January 1, 1972, the Company changed its method of depreciating buildings, machinery and equipment and logging access roads from the diminishing balance basis to the straight-line basis for buildings, machinery and equipment and to the unit of production basis for logging access roads. The comparative figures for 1971 have not been restated to give effect to these changes but if they had been restated net earnings for 1971 would have increased by \$262,500 (\$0.15 per share). If the depreciation policy had not changed in 1972, the net earnings for the year would have been reduced by \$265,052.

Under the prior depreciation policy taxable gains on the sale of fixed assets were deferred and amortized. The unamortized balance of these gains, less applicable income taxes, have been credited to retained earnings.

Depreciation

	<u>Basis</u>	<u>Rate based on service lives or recoverable reserves</u>
Buildings	Straight-line	2.5% - 5%
Machinery and Equipment	Straight-line	10% - 15%
Logging Access Roads	Unit of Production	Based on estimated reserves
Sand and Gravel Rights and Properties	Unit of Production	Based on estimated reserves
Timber Rights and Leases	Straight-line	5%

4. Goodwill

Goodwill relating to the acquisitions made in 1972 is being written off over 36 months from the effective date of purchase.

5. Long Term Debt

	<u>1972</u>	<u>1971</u>
Sinking Fund Debentures, 6.5% due 1981 (Annual sinking fund requirement \$200,000)	\$2,253,500	\$2,274,500
Bank Loan — unsecured, at 1.25% above prime rate (Repayable \$150,000 annually)	1,000,000	—
	<u>3,253,500</u>	<u>2,274,500</u>
Long Term Debt Due Within One Year	203,500	—
	<u>\$3,050,000</u>	<u>\$2,274,500</u>

Aggregate maturities for the next five years are \$203,500 for 1973 and \$350,000 for 1974 to 1977 inclusive. The 1972 sinking fund requirement and part of the 1973 requirement were met in 1971.

6. Shareholders' Equity

Preference Shares

The 300,000 authorized preference shares of a par value of \$20 each are issuable in series, of which 125,000 have been designated as 6% cumulative redeemable preference shares 1961 series and are redeemable at \$20.75 to December 1, 1973 and 9,351 have been designated as 1% non-cumulative redeemable preference shares 1970 series.

Common Shares

On September 29, 1972 the shareholders approved a special resolution altering the Company's Memorandum of Association which had the following effect:

- An increase in the authorized capital from 1,000,000 to 6,000,000 common shares of no par value
- An increase in the aggregate amount for which common shares can be issued from \$5,000,000 to \$15,000,000
- The subdivision of the then outstanding common shares on a three for one basis.

On November 9, 1972 75,000 of the common shares were reserved for employee stock options. Options on 37,500 shares were granted on that date at \$6.15 per share being the market value. These options are exercisable 20% per year on a cumulative basis and expire in 1977.

Retained Earnings

The Alberta Companies Act requires that retained earnings be appropriated, as a capital redemption reserve fund, for an amount equivalent to the par value of the preference shares redeemed or purchased and cancelled. The amount appropriated at December 31, 1972 was \$542,040.

7. Remuneration

Directors' fees and senior officers' remuneration amounted to \$217,828 (1971 — \$152,380).

8. Commitments and Contingent Liability

The Company has leased equipment for terms of 72 and 84 months from December 1972 at annual amounts of \$25,400 and \$74,000 respectively.

A Statement of Claim has been issued against the Company in the amount of \$225,000. The matter has not progressed to the stage where a valid assessment can be made, however Company officials do not believe any significant liability will arise.

Auditors' Report

To the Shareholders of
Revelstoke Companies Ltd.

Calgary, Alberta
March 23, 1973

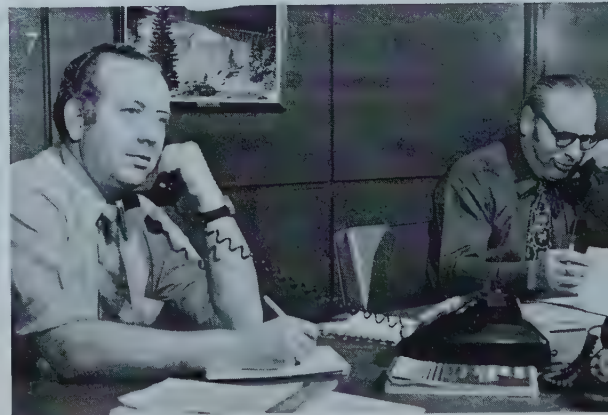
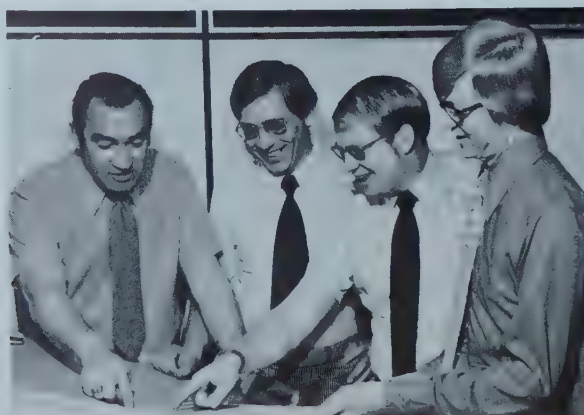
We have examined the consolidated balance sheet of Revelstoke Companies Ltd. as at December 31, 1972 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at December 31, 1972, the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the method of providing for depreciation as referred to in Note 3, with which we concur, have been applied on a basis consistent with that of the preceding year.



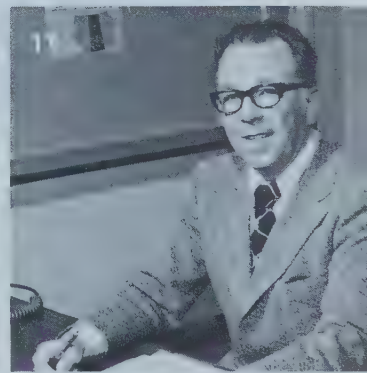
Chartered Accountants

Our People





1. Brett F. Sine, Chairman of the Board.
2. Jim Wardrope, Geoff Peter, Art Reynolds, Don Allan, Frank Fortin, Abe Dyck, at Mill Managers' Meeting.
3. Brian Harris, Keith McDowell - Vice-President, Mike Neaves discussing financial statements.
4. Store Managers at Northern Saskatchewan Managers' Meeting.
5. Jim Franssen and Hank Millard, Manager Internal Audit and Credit.
6. Vic Roskey, Cliff Paulson, Norm Nilsson, Gary Lyseng reviewing new store opening plans.
7. Dale Brett and Bill Walter of the Lumber Trading Department.
8. Don Clark, Controller and Dan Finley reviewing E.D.P. printouts.
9. Standing: Otto Frey, Hugh O'Neil, Dave Dupont, Mike Lopachuk. Sitting: Bob Molle, Jim Bartley, Vic Roskey at District Managers Meeting.
10. Lionel Dobson, Henry Novakowski, Vince Gregory, Bob McCullough, Don Cuming, Albert Kieboom of the Purchasing Department.
11. Jack Kenny, Manager - Manpower Development.
12. Arnold Arens, Emile Dupont, Howard Sells, Edward Schafer resolving a concrete engineering problem.
13. Revy Home Department with Ted Hanson, Manager sitting at right.



Our Company Officers



JOHN B. HALL

GERALD A. BERKHOLD

STEELE CURRY

KEITH A. C. McDOWELL

HAL E. DUNN

GERALD A. BERKHOLD

Vice President Operations. Joined Revelstoke in that position in January 1972 after being with Triarch Corporation Limited and The Canadian Imperial Bank of Commerce. Received B.Comm. from the University of Alberta in 1960. Married, age 34.

HAL E. DUNN

Vice President Merchandising. Joined Revelstoke in that position in April 1972 after being with the Hudson's Bay Company from 1947 to 1972. Received B.A. from Queens University in 1947. Married, age 52.

STEELE CURRY

President. Joined Revelstoke in December 1971 after being with Triarch Corporation Limited, The T. Eaton Company and Development Research Associates. Received M.B.A. from Harvard University in 1964, B.A. from Stanford University in 1962. Bachelor, age 32.

JOHN B. HALL

Vice President Lumber Trading. Responsible for all lumber purchases and sales. Joined Revelstoke in 1938, appointed Vice President in 1960. Married, age 57.

KEITH A. C. McDOWELL

Vice President and Secretary Treasurer. Joined Revelstoke in 1955, appointed Secretary Treasurer in 1961 and Vice President in 1968. C.A. Married, age 45.

Five Year Financial Review*

REVELSTONE COMPANIES LTD.

	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>
Sales	<u>\$42,808,839</u>	<u>\$31,866,424</u>	<u>\$29,338,601</u>	<u>\$33,096,372</u>	<u>\$32,465,796</u>
Operating Earnings	\$ 3,000,066	\$ 1,419,945	\$ 203,508	\$ 2,043,933	\$ 3,304,738
Minority Interest	14,119	3,548	7,755	75,738	111,310
Income Taxes	<u>1,444,563</u>	<u>652,494</u>	<u>122,019</u>	<u>1,114,480</u>	<u>1,733,981</u>
Net Operating Earnings ...	1,541,384	763,903	73,734	853,715	1,459,447
Extraordinary Items	<u>—</u>	<u>—</u>	<u>1,789,217</u>	<u>—</u>	<u>—</u>
Net Earnings	<u>1,541,384</u>	<u>\$ 763,903</u>	<u>\$ 1,862,951</u>	<u>\$ 853,715</u>	<u>\$ 1,459,447</u>
Cash Flow	\$ 2,826,578	\$ 2,290,589	\$ 2,967,142	\$ 1,936,443	\$ 2,291,648
Operating Earnings Per Share .....	.79	.35	(.03)	.40	.73
Total Earnings Per Share .....	.79	.35	.96	.40	.73
Cash Flow Per Share	1.57	1.27	1.65	1.08	1.27
Dividends Per Common Share .....	.14	.07	.13	.20	.13
Shareholders' Equity	15,501,854	14,263,382	13,770,936	12,321,098	12,007,482
Working Capital	6,326,985	7,006,323	8,238,650	7,995,409	8,962,152
Long Term Debt	3,253,500	2,274,500	2,743,500	2,925,500	2,988,500
Total Assets	33,599,944	24,518,034	22,309,068	22,246,098	19,592,064
Current Assets to Current Liabilities	1.43	1.88	2.39	2.26	3.30
Equity Capital to Long Term Debt	4.76	6.27	5.02	4.21	4.02
Common Shares Outstanding	1,800,015	1,800,015	1,800,015	1,800,015	1,800,015
Number of Common Shareholders	735	901	964	935	1,045

* See pages 14 and 15 for explanatory notes regarding the change in the Company's depreciation policy. Per share figures are adjusted to reflect the three for one stock split in 1972 and earnings per share figures are after deducting preferred share dividends.

General Company Information

DIRECTORS

Gerald A. Berkhold
Vice President of the Company
Calgary, Alberta

Peter J. M. Bloemen
President,
Trucena Investments Limited,
Toronto, Ontario

Arthur J. E. Child
President,
Burns Foods Limited,
Calgary, Alberta

Steele Curry
President of the Company
Calgary, Alberta

Neil B. Ivory
President,
Pembroke Management Ltd.
Montreal, Quebec

Allan E. Jenner
General Manager
Citicorp Venture Capital
Canada Ltd.
Toronto, Ontario

David E. Mitchell
President,
Great Plains Development Co.
of Canada Ltd.
Calgary, Alberta

John E. Sands, C.A.
Vice President,
Trucena Investments Limited
Toronto, Ontario

John L. Schlosser
President,
Tri-Jay Investments Ltd.
Edmonton, Alberta

Brett F. Sine
Chairman of the Board
Revelstoke Companies Ltd.
Calgary, Alberta

Arthur J. Vincent
President,
Smith, Vincent & Co. Ltd.
Winnipeg, Manitoba

OFFICERS

Steele Curry
President

Gerald A. Berkhold
Vice President — Operations

Harold E. Dunn
Vice President — Merchandising

John B. Hall
Vice President — Lumber Trading

Keith A. C. McDowell, C.A.
Vice President and
Secretary Treasurer

DEPARTMENT MANAGERS

Arnold J. Arens
Manager,
Concrete Engineering

Donald A. Clark
Controller

Lionel E. Dobson
Manager,
Purchasing

Ted W. Hanson
Manager,
Revy Homes

Brian A. Harris
Manager,
Accounting

Jack R. Kenny
Manager,
Manpower Development

Henry W. Millard
Manager,
Internal Audit and Credit

Norman K. Nilsson
Manager,
Advertising and Promotion

Victor R. Roskey
Manager,
City Store Operations and
Development

Edward K. Schafer
Chief Engineer

Howard M. Sells
Manager,
Concrete Production and
Equipment

DISTRICT MANAGERS

James H. Bartley
Northern Alberta

David A. Dupont
Manitoba

Otto A. Frey
Northern Saskatchewan

Michael G. Lopachuk
Southern Alberta

Robert J. Molle
Southern Alberta

Hugh J. O'Neil
Southern Saskatchewan

MILL MANAGERS

Donald S. Allan
Manager
Radium, British Columbia

Abe Dyck
Manager
Rocky Mountain House, Alberta

Frank R. Fortin
General Manager
Radium, British Columbia

Geoff C. Peter
Manager

Sentinel, Alberta
Arthur C. Reynolds
Manager

Whitecourt, Alberta
James A. Wardrope
Manager
Sundre, Alberta

TRANSFER AGENTS AND REGISTRARS

Common Shares
Montreal Trust Company
Calgary, Toronto,
Montreal and Vancouver
**Preferred Shares and
Trustees for Debentures**
Canada Permanent Trust
Company
Calgary, Toronto,
Montreal and Vancouver

PRINCIPAL SUBSIDIARY COMPANIES AND % OF OWNERSHIP

Revelstoke Home
Centres Ltd.100%
Revelstoke Sawmill
(Radium) Ltd.100%
Revelstoke - Lafarge Ltd. .. 85%

Our Company Objectives

- To develop an organization which continually seeks to maximize the satisfaction of our customers through understanding their needs, tastes and problems.
- To achieve a rising level of profitability and earnings per share.
- To create an environment that stimulates personal development and fulfillment for the members of the Company.
- To participate in industries and markets which should experience substantial above average growth.
- To maintain a close watch over ever-changing market and competitive conditions.
- To add as much value as possible to the products and services that we provide our customers.
- To demonstrate entrepreneurship, leadership and high standards in all areas of corporate activity.
- To strive for excellence as opposed to imitating others and accepting how things were done in the past without question.
- To support community affairs wherever we are active on a basis consistent with the size of our Company.
- To have fun.

HEADQUARTERS

Revelstoke Companies Ltd.
Box 2501
508 - 24th Ave. S.W.,
Calgary, Alberta T2P 2N2
Phone (403) 266-6071

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Offices of the Company, 508 - 24 Avenue S.W., Calgary, Alberta on May 31, 1973 at 11 a.m.

AUDITORS

Price Waterhouse & Co.
Chartered Accountants

...BUILDING WITH PEOPLE AT REVELSTOKE.....BUILDING WITH PEOPLE AT REVELSTOKE...

